



Michigan Nonprofit Association

Testimony before the Tax Policy Committee

Wednesday, June 7, 2006

Presented by Erin Skene, Michigan Nonprofit Association

RE: Senate Bill 1039

Good Morning. My name is Erin Skene, I'm Director of Public Policy at the Michigan Nonprofit Association (MNA). Thank you for the opportunity to voice our support for Senate Bill 1039, which clarifies the definition of charitable auction prices and allows nonprofits to seek a refund for 6 percent of the gross proceeds of an auction item in excess of fair market value of the item.

In the past few years, MNA members have voiced their concern regarding the current interpretation of charitable auction prices. As you know, the current language in the General Sales Tax Act is interpreted to mean that organizations are required to pay sales tax based on the full bid amount of sale at the auction. However, there are instances when the purpose of the bidder is part purchase and part charitable gift and the bid is much higher than what would be fair market value for the item. There are also scenarios when the bidding price is much lower than fair market value.

This clarification will not only honor the intent of the donor but it will also enhance the ability of charities to meet their missions in Michigan communities. We appreciate the work of Senator McManus and Treasury on this important legislation.

Thank you again for the opportunity to speak with you today.